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CROWN C SUPPLY COMPANY, INC.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013



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Independent Accountants' Review Report

Board of Directors
Crown C Supply Company, Inc.
St. Louis, Missouri

We have reviewed the accompanying consolidated balance sheet of Crown C Supply Company, Inc., an S Corporation, and subsidiary (collectively, the Company) as of September 30, 2013 and 2012, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

RubinBrown LLP

December 27, 2013

CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

	Assets	
	September 30,	
	2013	2012
Current Assets		
Cash	\$ 282,289	\$ 766,307
Accounts receivable (less allowance for doubtful accounts of \$119,195 in 2013 and \$69,195 in 2012 - Note 5)	4,421,090	5,692,800
Inventory (Note 5)	3,985,972	5,753,006
Prepaid expenses	67,709	62,106
Income tax deposit	143,672	101,173
Total Current Assets	8,900,732	12,375,392
Property And Equipment (Notes 3 And 6)	1,587,503	1,371,414
Other Assets (Note 4)	859,520	867,923
	\$ 11,347,755	\$ 14,614,729
Liabilities And Stockholders' Equity		
Current Liabilities		
Notes payable (Note 5)	\$ 2,300,000	\$ 3,800,000
Current maturities of long-term debt (Note 6)	269,745	107,284
Accounts payable	3,595,190	4,646,721
Accrued expenses	84,851	102,435
Accrued salaries and bonuses	147,471	274,225
Accrued profit sharing plan contribution (Note 7)	100,000	165,000
Accrued distributions	80,000	900,000
Payroll withholdings and sales tax payable	232,381	296,017
Total Current Liabilities	6,809,638	10,291,682
Long-Term Debt (Note 6)	785,597	781,318
Total Liabilities	7,595,235	11,073,000
Stockholders' Equity		
Common stock:		
Authorized 30,000 shares of \$1 par value;		
500 shares issued and outstanding	500	500
Retained earnings	3,350,989	3,217,384
Total Stockholders' Equity - Crown C Supply Company	3,351,489	3,217,884
Noncontrolling Interest In Subsidiary	401,001	323,845
Total Stockholders' Equity	3,752,520	3,541,729
	\$ 11,347,755	\$ 14,614,729

See the accompanying review report and notes to consolidated financial statements.

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CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME

	For The Years Ended September 30,			
	2013		2012	
	Amount	%	Amount	%
Net Sales	\$ 33,196,821	100.0	\$ 38,168,930	100.0
Cost Of Sales	26,913,061	81.1	30,449,294	79.8
Gross Profit	6,283,760	18.9	7,719,636	20.2
Operating Expenses	5,867,290	17.7	6,436,760	16.9
Income From Operations	416,470	1.2	1,282,876	3.3
Other Expense - Net (Note 8)	(104,679)	(0.3)	(11,027)	—
Net Income	311,791	0.9	1,271,849	3.3
Net Income Attributable To Noncontrolling Interest In Subsidiary	98,186	0.3	90,785	0.2
Net Income Attributable To Crown C Supply Company, Inc.	\$ 213,605	0.6	\$ 1,181,064	3.1

CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For The Years Ended September 30, 2013 And 2012

	Crown C Supply Company, Inc.		Retained Earnings	Total Stockholders' Equity	Non- Controlling Interest In Subsidiary	Total Stockholders' Equity
	Common Stock Shares	Amount				
Balance - October 1, 2011	500	\$ 500	\$ 2,936,320	\$ 2,936,820	\$ 233,060	\$ 3,169,880
Net Income	—	—	1,181,064	1,181,064	90,785	1,271,849
Distributions	—	—	(900,000)	(900,000)	—	(900,000)
Balance - September 30, 2012	500	500	3,217,384	3,217,884	323,845	3,541,729
Net Income	—	—	213,605	213,605	98,186	311,791
Distributions	—	—	(80,000)	(80,000)	(21,000)	(101,000)
Balance - September 30, 2013	500	\$ 500	\$ 3,350,989	\$ 3,351,489	\$ 401,031	\$ 3,752,520

See the accompanying review report and notes to consolidated financial statements.

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CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS

	For The Years Ended September 30,	
	2018	2012
Cash Flows From Operating Activities		
Net income	\$ 311,791	\$ 1,271,849
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	305,759	144,677
Gain on sale of equipment	(22,500)	—
Increase in cash surrender value in excess of premiums paid on life insurance	—	(78,299)
Changes in assets and liabilities:		
Decrease in accounts receivable	1,271,710	76,298
(Increase) decrease in inventory	1,767,034	(434,380)
(Increase) decrease in prepaid expenses	(5,603)	5,755
Increase in deposits	(25,799)	(101,173)
Increase (decrease) in accounts payable, accrued expenses, accrued salaries and bonuses and accrued profit sharing plan contribution	(1,260,869)	86,289
Increase (decrease) in payroll withholdings and sales tax payable	(63,636)	43,436
Net Cash Provided By Operating Activities	2,277,887	1,014,502
Cash Flows From Investing Activities		
Payments for property and equipment	(111,329)	(148,869)
Proceeds from sales of equipment	22,500	—
Change in cash surrender value to the extent of premiums paid on life insurance	(8,297)	(139,340)
Net Cash Used In Investing Activities	(97,126)	(288,209)
Cash Flows From Financing Activities		
Net borrowings (payments) under line-of-credit agreement	(1,500,000)	200,000
Repayments on long term debt	(243,779)	(121,738)
Distributions paid	(921,000)	(420,000)
Net Cash Used In Financing Activities	(2,664,779)	(341,738)
Net Increase (Decrease) In Cash	(484,018)	384,555
Cash - Beginning Of Year	766,307	381,752
Cash - End Of Year	\$ 282,289	\$ 766,307
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 88,068	\$ 104,619
Noncash financing activities:		
Equipment acquired with issuance of long term debt	410,519	377,598
Distributions declared	80,000	900,000

See the accompanying review report.

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CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 And 2012

1. Summary Of Significant Accounting Policies

Principles Of Consolidation

The accompanying consolidated financial statements include the accounts of Crown C Supply Company, Inc. and 5200 Manchester LLC, which is 100% owned by the same individuals (collectively referred to as the Company). All intercompany transactions and account balances have been eliminated in consolidation.

Accounting standards require an entity that is the primary beneficiary of a variable interest entity (VIE) to consolidate into its financial statements the assets, liabilities, and results of operations of the VIE. Any portion of the stockholders' equity and results of operations which are not owned by the primary beneficiary are reported as noncontrolling interest on the balance sheet and statement of income.

In December 2006, 5200 Manchester LLC purchased land and buildings and began leasing the property to Crown C Supply, Inc. Crown C Supply, Inc. has determined it is the primary beneficiary of 5200 Manchester LLC, and therefore, has consolidated the LLC into the accompanying consolidated financial statements. Crown C Supply, Inc. does not hold any equity interest in 5200 Manchester LLC; therefore, 5200 Manchester LLC's members' equity and net income is reported as noncontrolling interest in the accompanying consolidated financial statements.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Cash

The Company places its cash with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

Inventory

Inventory, consisting of roofing and siding materials held for resale, is valued at the lower of cost (first-in, first-out method) or market.

Property And Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization computed using straight-line and accelerated methods. The assets are depreciated over periods ranging from 3 to 39 years for both financial statement reporting and income tax purposes.

Revenue Recognition

Sales are recorded when products are shipped to customers. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company records taxes collected under the net method by recognizing a corresponding liability to the related taxing authority.

Delivery Costs

Delivery costs of \$2,217,481 in 2013 and \$2,277,402 in 2012 are included in operating expenses.

Advertising

Advertising costs are charged to operations as incurred. Total advertising expense amounted to \$39,758 in 2013 and \$52,758 in 2012.

CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARYNotes To Consolidated Financial Statements *(Continued)***Noncontrolling Interest**

The Company complies with accounting standards for reporting of noncontrolling interests in consolidated financial statements, whereby consolidated stockholders' equity and net income are separately attributable to the controlling interest and to the noncontrolling interest.

2. Operations

Crown C Supply Company, Inc. began operations in 1980 and is engaged in the wholesale and retail sales of roofing and siding materials and supplies. The Company is located in St. Louis, Missouri, with the majority of sales and credit being granted to customers located within the St. Louis metropolitan area.

5200 Manchester LLC was established in 2006 to purchase and lease real estate to Crown C Supply Company, Inc. for its operations.

3. Property And Equipment

Property and equipment consist of:

	2013	2012
Vehicles	\$ 1,941,295	\$ 1,676,727
Equipment	685,154	607,996
Office furniture and equipment	25,929	25,964
Leasehold and land improvements	230,601	230,601
Land	200,625	200,625
Buildings	707,254	707,254
	3,790,858	3,449,167
Less: Accumulated depreciation and amortization	2,203,355	2,077,753
	\$ 1,587,503	\$ 1,371,414

Depreciation and amortization charged against income amounted to \$305,759 in 2013 and \$144,677 in 2012.

CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

4. Other Assets

Other assets consist of:

	2013	2012
Cash surrender value of life insurance	\$ 851,870	\$ 843,573
Deposits	7,650	24,350
	<u>\$ 859,520</u>	<u>\$ 867,923</u>

5. Notes Payable

The Company has available a \$5,500,000 line of credit with a bank which expires in February 2014. Borrowings under the line of credit bear interest at LIBOR plus three percentage points (3.18% at September 30, 2013). All borrowings are collateralized by the Company's inventory and accounts receivable. Borrowings under the line are subject to certain financial covenants, including current ratio, tangible net worth ratio and debt to worth ratio, and restrictions on indebtedness, dividend payments and other related items. At September 30, 2013, the Company is in compliance with all covenants.

Interest incurred on all debt and charged against income amounted to \$88,068 in 2013 and \$104,619 in 2012.

CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

6. Long-Term Debt

Long-term debt consists of notes payable to a bank as follows:

	<u>2013</u>	<u>2012</u>
Crown C Supply		
Secured by vehicles and payable in 60 monthly payments of \$6,758 including interest at a rate of 2.8%, final payment due in June 2017	\$ 288,066	\$ 359,984
Secured by vehicles and payable in 60 monthly payments of \$5,510 including interest at a rate of 3.38%, final payment due in April 2018	280,028	—
Secured by a vehicle and payable in 60 monthly payments of \$1,276, interest-free, final payment due in September 2017	61,265	—
5200 Manchester LLC		
Secured by building and payable in 42 monthly payments of \$11,263 including interest at a rate of 3.32%, final payment due in January 2017	425,983	528,618
	1,055,342	888,602
Less: Current maturities	269,745	107,284
	<u>\$ 785,597</u>	<u>\$ 781,318</u>

The scheduled maturities of long-term debt as of September 30, 2013 are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 269,745
2015	277,961
2016	286,445
2017	183,439
2018	37,752
	<u>\$ 1,055,342</u>

CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY

Notes To Consolidated Financial Statements (Continued)

7. Employee Benefit Plans

The Company has a qualified, noncontributory, trustee profit sharing plan covering eligible full-time employees. The plan provides for contributions by the Company in such amounts as the Board of Directors may annually determine.

The plan contains a 401(k) provision in accordance with the Internal Revenue Code (the IRC). It covers eligible full-time employees and provides for voluntary employee contributions of up to 15% of eligible compensation. The Plan also provides for a Company match of employee contributions, which is determined annually by the Board of Directors.

The Company's contributions amounted to \$113,784 in 2013 and \$177,278 in 2012.

8. Other Expense - Net

Other expense consists of:

	2013	2012
Interest expense, net	\$ (82,161)	\$ (115,745)
Discounts	37,355	39,629
Increase in cash surrender value of life insurance	8,297	229,539
Rental income	23,250	12,750
Miscellaneous income	22,364	78
Profit sharing plan contribution	(113,784)	(177,278)
	<u>\$ (104,679)</u>	<u>\$ (11,027)</u>

9. Income Taxes

Effective September 1, 2002, Crown C. Supply Company, Inc. elected S Corporation status under provisions of the IRC, and similar provisions of the Missouri tax law, and as such is no longer subject to federal or state corporate income taxes. The stockholders report their distributive share of the Company's taxable income or losses on their respective individual income tax returns.

CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY**Notes To Consolidated Financial Statements (Continued)**

5200 Manchester LLC is organized as a limited liability company and is treated as a partnership under provisions of the IRC, and similar provisions of the Missouri tax law. The members report their distributive share of the Company's taxable income or losses on their respective individual income tax returns.

The Company's federal and state tax returns for tax years 2009 and later remain subject to examination by taxing authorities.

10. Transactions With Related Parties

The Company leases office and warehouse space on a month-to-month basis from an entity related through common ownership. Total rent expense amounted to \$224,424 in 2013 and 2012.

11. Lease Commitments

The Company has truck leases expiring in June 2014 and a software lease expiring in February 2017. Future minimum lease commitments are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 37,032
2015	5,628
2016	5,628
2017	2,345
	<u>\$ 50,633</u>

Amounts paid under the above leases totaled \$47,500 and \$43,388 in 2013 and 2012, respectively.

CROWN C SUPPLY COMPANY, INC. AND SUBSIDIARY

Notes To Consolidated Financial Statements *(Continued)*

12. Subsequent Events

The Company's majority stockholder passed away in October 2013. The Company's minority stockholder has assumed management of the Company.

In accordance with the stock purchase agreement, the remaining shareholder has the right to purchase the shares. In the event the remaining shareholder does not purchase the shares, the company must purchase the shares. At September 30, 2013, the company had life insurance in effect on the life of the majority shareholder in the amount of \$3,500,000.

Management has evaluated subsequent events through December 27, 2013, the date which the consolidated financial statements were available for issue.